

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
ALASKA POWER ADMINISTRATION**

PROPOSED APPROPRIATION LANGUAGE

[OPERATION AND MAINTENANCE, ALASKA POWER ADMINISTRATION]

[For necessary expenses of operation and maintenance of projects in Alaska and of marketing electric power and energy, \$3,500,000, to remain available until expended; and, in addition, \$10,000,000 for capital assets acquisition, to remain available until expended.] (Energy and Water Development Appropriations Act, 1998.)

EXPLANATION OF CHANGE

There is no funding requested for this appropriation in FY 1999. Therefore, all prior year appropriations language is proposed to be deleted.

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
ALASKA POWER ADMINISTRATION**

EXECUTIVE BUDGET SUMMARY

Mission

MISSION STATEMENT: **Alaska Power Administration (APA)** will continue to encourage economic and industrial development in Alaska through implementing the sale of APA assets in a manner consistent with the authorizing legislation while balancing all the stakeholders' interests. Alaska Power Administration will provide our employees opportunities for successful career transitions and conduct an efficient transfer of assets and closeout of APA, while continuing to provide our customers reliable, low-cost hydroelectric energy during the transition and termination.

Strategy

Alaska Power Administration (APA) was created to market the power produced at its two hydroelectric generating projects located within the State of Alaska. The 30-MW Eklutna Project, authorized by the Eklutna Project Act of 1950, as amended, is located near Palmer, Alaska, about 34 miles northeast of Anchorage, Alaska. The 78-MW Snettisham Project, authorized by the 1962 Flood Control Act, as amended, is located in a remote area about 45 miles southeast of Juneau, Alaska. Preference is given in the sale of the power to public bodies and cooperatives. Alaska Power Administration owns and operates all of its generation and transmission facilities.

Alaska Power Administration is in the process of implementing the Alaska Power Administration Asset Sale and Termination Act (Title I of Public Law 104-58). This law authorizes and directs the Secretary of Energy to sell the assets of the Alaska Power Administration and to subsequently terminate APA. The Eklutna Project was sold to the former customers of the project on October 2, 1997, for a cash payment of \$5,953,000. The sale of the Snettisham Project to an agency of the State of Alaska is currently targeted for July 15, 1998. The Alaska Power Administration will be terminated no later than one year after the Snettisham Project sale. This budget request is to justify the obligation and expenditure of remaining Transition and Termination funds for APA administration and closeout during FY 1999. If APA termination takes place before the end of FY 1999, any unobligated appropriations will be returned to the Treasury of the United States, in accordance with the provisions of the Alaska Power Administration Asset Sale and Termination Act.

The **GOALS** of the Alaska Power Administration are to:

1. Operate, maintain, and market maximum energy from the Snettisham Project in an efficient, reliable, safe, and environmentally-sensitive manner for our customers, and minimize costs while protecting the Federal investment; AND
2. Successfully complete the legislative mandate of the Alaska Power Administration Asset Sale and Termination Act in the most effective and efficient manner possible, balancing the interests of both our ratepayers and the Federal taxpayers.

The **OBJECTIVES** related to these goals can best be described by our **VISIONS** for (1) Employee Career Transition, (2) Asset Sales and Termination, and (3) Power Operations, Maintenance, and Marketing:

- (1) Alaska Power Administration and employees worked together to successfully complete career transitions for all employees.
- (2) Alaska Power Administration managed the transfer of assets and the termination of APA in an open and effective manner, capitalizing on opportunities for our employees. We were recognized as a team that performed to the highest standards possible while completing its mission, and have ensured that the energy resources we provide continue to be enjoyed by the people of Alaska.
- (3) Alaska Power Administration operated and maintained its facilities in a safe and environmentally-sensitive manner that continued to contribute to the development and use of reliable, clean, and economically competitive electric energy in Alaska during the transition period.

EMERGENCY FUND

The FY 1999 budget request assumes \$200,000 in emergency funds, appropriated in FY 1984 to ensure continuity of service in an emergency, remain available for that purpose until all APA assets are sold and APA is terminated.

Major Changes

- The Alaska Power Administration Asset Sale and Termination Act (Title I of Public Law 104-58), signed by the President on November 28, 1995, authorizes and directs the sale of all Alaska Power Administration assets and the subsequent termination of APA. The Eklutna Project was sold on October 2, 1997, to the three current power customers: (Anchorage) Municipal Light and Power, Chugach Electric Association, Inc., and Matanuska Electric Association, Inc. The Snettisham Project will be sold to an agency of the State of Alaska (Alaska Energy Authority/Alaska Industrial Development and Export Authority). While APA continues to work towards a **target date of July 15, 1998 (but in no case later than August 20, 1998), for the sale of the Snettisham Project**, continued operations and maintenance of the project while under Federal ownership will remain a priority.
- This FY 1999 budget request is to justify the obligation and expenditure of remaining Transition and Termination funds and will provide the minimum personnel and financial resources necessary for the continuation of the operations, maintenance, and power marketing programs at APA during remaining Federal ownership and APA closeout. If APA termination takes place before the end of FY 1999, any unobligated balances will be returned to the Treasury of the United States, in accordance with the provisions of the Alaska Power Administration Asset Sale and Termination Act.
- APA has remained well within the allocated FTE ceiling and will continue to conduct a position analysis as each vacancy occurs to determine the most effective way to continue to perform necessary functions, whether by filling the vacancy or by utilizing alternative methods (i.e. detail of a current Federal employee, IPA assignment of a State of Alaska or local government employee, contract, etc.) to accomplish needed work. Based on current expectations, we will achieve the following FTE targets:

<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>
10	11	8

- Consistent with the transition of operations and maintenance activities to the purchasers/customers, actions continue to be taken to “right size” APA staffing. Federal staffing has been reduced from a level of 31 in the early summer of 1996 to a current level of 6 on board. This significant reduction has been possible as normal operations and maintenance activities have been contracted (through net billing arrangements) to the purchasers/customers in anticipation of the asset sales. The current staffing level is the minimum necessary to achieve remaining asset sales and APA termination. The current challenge facing APA is to retain these remaining employees until their work is complete. Additional separations will be possible after the sale of the Snettisham Project has been completed. Also, APA has relinquished approximately 66% of the office space leased in Juneau, consistent with the staffing reductions.

Major Issues

- Significant progress has been achieved towards full implementation of the APA Asset Sale and Termination Act. Transition and Termination funding was provided through an appropriations transfer signed into law on March 26, 1996, as P.L. 104-134.
- A comprehensive Eklutna Transition Plan, required by the Eklutna Purchase Agreement, was signed by the three purchasers and APA on May 28, 1996. Surveys of project lands and transmission rights-of-way have been completed and “real estate” issues have been successfully resolved to the satisfaction of the purchasers. A final “punch list” of maintenance and environmental compliance items and a major generator rewind were successfully completed at the Eklutna Project. Final sale of the Eklutna Project was transacted on October 2, 1997.
- A Snettisham Transition Plan, based on the one negotiated for the Eklutna Project, was signed by the Snettisham purchaser and APA on March 7, 1997. Progress continues on a similar “punch list” for the Snettisham Project, with one major issue, APA participation in the replacement of a damaged submarine cable, still under discussion. Resolution of other minor issues appears eminent.
- A contract with the current single power customer for all operations and maintenance activities at the Snettisham Project was implemented on February 1, 1997, and extended on January 1, 1998, through a net billing arrangement.
- Federal land management agencies (Bureau of Land Management and Forest Service) continue their progress towards settlement of remaining lands issues at the Snettisham Project.
- The major task facing the Snettisham Purchaser is meeting the “due diligence” requirements necessary to secure bond financing for the purchase. All documentation is scheduled for completion by May 15, 1998, with a final transaction date scheduled for July 15, 1998. Under the terms of the Snettisham Purchase Agreement and the Alaska Power Administration Asset Sale and Termination Act, the final sale of the Snettisham Project will occur no later than August 20, 1998. APA will then have not more than one year to complete the legislatively-mandated Report to Congress on the asset sales and terminate the Administration.

Site Funding and Federal and Contractor Staffing Profiles

PROGRAM ACTIVITY	FY 1997 Current Appropriation	FY 1998 Original Appropriation	FY 1998 Adjustments	FY 1998 Current Appropriation	FY 1999 Budget Request
Program Direction	\$4,000,000	\$ 3,500,000	\$-0-	\$ 3,500,000	\$-0-
Capital Assets Acquisition	\$-0-	\$10,000,000	\$-0-	\$10,000,000	\$-0-
Alaska Power Administration, Total	\$4,000,000	\$13,500,000	\$-0-	\$13,500,000	\$ -0-
Federal Full-Time Equivalents	10	11	- 0-	11	8

Performance Measures

Performance measures for the Alaska Power Administration have previously focused on debt service and repayment, net cash flow, and systems (generation and transmission) reliability. **For FY 1999, performance will be measured by the extent to which the Alaska Power Administration Asset Sale and Termination Act will have been successfully implemented. Successful performance will be indicated by the sale of all APA assets and termination of APA by the end of FY 1999.**

Rodney L. Adelman
Administrator, Alaska Power Administration

Date

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
ALASKA POWER ADMINISTRATION
(Tabular dollars in thousands, Narrative in whole dollars)

OPERATION AND MAINTENANCE, ALASKA POWER ADMINISTRATION

PROGRAM MISSION

MISSION STATEMENT: **Alaska Power Administration** will continue to encourage economic and industrial development in Alaska through implementing the sale of APA assets in a manner consistent with the authorizing legislation, while balancing all the stakeholders' interests. Alaska Power Administration will provide our employees opportunities for successful career transitions and conduct an efficient transfer of assets and closeout of APA, while continuing to provide our customers reliable, low-cost hydroelectric energy during the transition and termination.

Alaska Power Administration (APA) was created to market the power produced at its two hydroelectric generating projects located within the State of Alaska. The 30-MW Eklutna Project, authorized by the Eklutna Project Act of 1950, as amended, is located near Palmer, Alaska, about 34 miles northeast of Anchorage, Alaska. The 78-MW Snettisham Project, authorized by the 1962 Flood Control Act, as amended, is located in a remote area about 45 miles southeast of Juneau, Alaska. Preference is given in the sale of the power to public bodies and cooperatives. Alaska Power Administration owns and operates all of its generation and transmission facilities.

Alaska Power Administration is in the process of implementing the Alaska Power Administration Asset Sale and Termination Act (Title I of Public Law 104-58). This law authorizes and directs the Secretary of Energy to sell the assets of the Alaska Power Administration and to subsequently terminate APA. The Eklutna Project was sold to the former customers of the project on October 2, 1997, for a cash payment of \$5,953,000. The sale of the Snettisham Project to an agency of the State of Alaska is currently targeted for July 15, 1998. The Alaska Power Administration will be terminated no later than one year after the Snettisham Project sale. This budget request is to justify the obligation and expenditure of remaining Transition and Termination funds for APA administration and closeout during FY 1999. If APA termination takes place before the end of FY 1999, any unobligated appropriations will be returned to the Treasury of the United States, in accordance with the provisions of the Alaska Power Administration Asset Sale and Termination Act.

The **GOALS** of the Alaska Power Administration are to:

1. Operate, maintain, and market maximum energy from the Snettisham Project in an efficient, reliable, safe, and environmentally-sensitive manner for our customers, and minimize costs while protecting the Federal investment; AND
2. Successfully complete the legislative mandate of the Alaska Power Administration Asset Sale and Termination Act in the most effective and efficient manner possible, balancing the interests of both our ratepayers and the Federal taxpayers.

The **OBJECTIVES** related to these goals can best be described by our **VISIONS** for (1) Employee Career Transition, (2) Asset Sales and Termination, and (3) Power Operations, Maintenance, and Marketing:

- (1) Alaska Power Administration and employees worked together to successfully complete career transitions for all employees.
- (2) Alaska Power Administration managed the transfer of assets and the termination of APA in an open and effective manner, capitalizing on opportunities for our employees. We were recognized as a team that performed to the highest standards possible while completing its mission, and have ensured that the energy resources we provide continue to be enjoyed by the people of Alaska.
- (3) Alaska Power Administration operated and maintained its facilities in a safe and environmentally-sensitive manner that continued to contribute to the development and use of reliable, clean, and economically competitive electric energy in Alaska during the transition period.

EMERGENCY FUND

The FY 1999 budget request assumes \$200,000 in emergency funds, appropriated in FY 1984 to ensure continuity of service in an emergency, remain available for that purpose until all APA assets are sold and APA is terminated.

PERFORMANCE MEASURES:

Performance measures for the Alaska Power Administration have previously focused on debt service and repayment, net cash flow, and systems (generation and transmission) reliability. **For FY 1999, performance will be measured by the extent to which the Alaska Power Administration Asset Sale and Termination Act will have been successfully implemented. Successful performance will be indicated by the sale of all APA assets and termination of APA by the end of FY 1999.**

SIGNIFICANT ACCOMPLISHMENTS AND PROGRAM SHIFTS:

- The Alaska Power Administration Asset Sale and Termination Act (Title I of Public Law 104-58), signed by the President on November 28, 1995, authorizes and directs the sale of all Alaska Power Administration assets and the subsequent termination of APA. The Eklutna Project was sold on October 2, 1997, to the three current power customers: (Anchorage) Municipal Light and Power, Chugach Electric Association, Inc., and Matanuska Electric Association, Inc. The Snettisham Project will be sold to an agency of the State of Alaska (Alaska Energy Authority/Alaska Industrial Development and Export Authority). While APA continues to work towards a **target date of July 15, 1998 (but in no case later than August 20, 1998), for the sale of the Snettisham Project**, continued operations and maintenance of the project while under Federal ownership will remain a priority.
- This FY 1999 budget request is to justify the obligation and expenditure of remaining Transition and Termination funds and will provide the minimum personnel and financial resources necessary for the continuation of the operations, maintenance, and power marketing programs at APA during remaining Federal ownership and APA closeout. If APA termination takes place before the end of FY 1999, any unobligated balances will be returned to the Treasury of the United States, in accordance with the provisions of the Alaska Power Administration Asset Sale and Termination Act.
- Significant progress has been achieved towards full implementation of the APA Asset Sale and Termination Act. Transition and Termination funding was provided through an appropriations transfer signed into law on March 26, 1996, as P.L. 104-134.
- A comprehensive Eklutna Transition Plan, required by the Eklutna Purchase Agreement, was signed by the three purchasers and APA on May 28, 1996. Surveys of project lands and transmission rights-of-way have been completed and “real estate” issues have been successfully resolved to the satisfaction of the purchasers. A final “punch list” of maintenance and environmental compliance items and a major generator rewind were successfully completed at the Eklutna Project. Final sale of the Eklutna Project was transacted on October 2, 1997.
- A Snettisham Transition Plan, based on the one negotiated for the Eklutna Project, was signed by the Snettisham purchaser and APA on March 7, 1997. Progress continues on a similar “punch list” for the Snettisham Project, with one major issue, APA participation in the replacement of a damaged submarine cable, still under discussion. Resolution of other minor issues appears eminent.
- A contract with the current single power customer for all operations and maintenance activities at the Snettisham Project was implemented on February 1, 1997, and extended on January 1, 1998, through a net billing arrangement.
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- The major task facing the Snettisham Purchaser is meeting the “due diligence” requirements necessary to secure bond financing for the purchase. All documentation is scheduled for completion by May 15, 1998, with a final transaction date scheduled for July 15, 1998. Under the terms of the Snettisham Purchase Agreement and the Alaska Power Administration Asset Sale and Termination Act, the final sale of the Snettisham Project will occur no later than August 20, 1998. APA will then have not more than one year to complete the legislatively-mandated Report to Congress on the asset sales and terminate the Administration.
- APA has remained well within the allocated FTE ceiling and will continue to conduct a position analysis as each vacancy occurs to determine the most effective way to continue to perform necessary functions, whether by filling the vacancy or by utilizing alternative methods (i.e. detail of a current Federal employee, IPA assignment of a State of Alaska or local government employee, contract, etc.) to accomplish needed work. Based on current expectations, we will achieve the following FTE targets:

<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>
10	11	8

- Consistent with the transition of operations and maintenance activities to the purchasers/customers, actions continue to be taken to “right size” APA staffing. Federal staffing has been reduced from a level of 31 in the early summer of 1996 to a current level of 6 on board. This significant reduction has been possible as normal operations and maintenance activities have been contracted (through net billing arrangements) to the purchasers/customers in anticipation of the asset sales. The current staffing level is the minimum necessary to achieve remaining asset sales and APA termination. The current challenge facing APA is to retain these remaining employees until their work is complete. Additional separations will be possible after the sale of the Snettisham Project has been completed.
- APA has relinquished approximately 66% of the office space leased in Juneau, consistent with the staffing reductions.

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
ALASKA POWER ADMINISTRATION**

**PROGRAM FUNDING PROFILE
(Dollars in thousands)**

<u>Sub-program</u>	FY 1997 Current <u>Appropriation</u>	FY 1998 Original <u>Appropriation</u>	FY 1998 <u>Adjustments</u>	FY 1998 Current <u>Appropriation</u>	FY 1999 Budget <u>Request</u>
Program Direction	\$4,000	\$3,500	\$0	\$3,500	\$0
Capital Assets Acquisition	<u>\$0</u>	<u>\$10,000</u>	<u>\$0</u>	<u>\$10,000</u>	<u>\$0</u>
Subtotal, APA	\$4,000	\$13,500	\$0	\$13,500	\$0
Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL, APA (One Site)	\$4,000 =====	\$13,500 =====	\$0 =====	\$13,500 =====	\$0 =====

Public Law Authorizations:

Pub. Law 95-91, DOE Organization Act (1977), Section 302

Eklutna Project Act of July 31, 1950 (64 Stat. 382)

1962 Flood Control Act, Section 204 (82 Stat. 875)

Pub. Law 104-58, Title I, Alaska Power Administration Asset Sale and Termination Act

Pub. Law 104-188, Section 1804, Small Business Job Protection Act of 1996 (110 Stat 1755)

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
ALASKA POWER ADMINISTRATION
(Tabular dollars in thousands, Narrative in whole dollars)

ALASKA POWER ADMINISTRATION PROGRAM DIRECTION

I. Mission Supporting Goals/Ongoing Responsibilities:

MISSION STATEMENT: **Alaska Power Administration** will continue to encourage economic and industrial development in Alaska through implementing the sale of APA assets in a manner consistent with the authorizing legislation while balancing all the stakeholders' interests. Alaska Power Administration will provide our employees opportunities for successful career transitions and conduct an efficient transfer of assets and closeout of APA, while continuing to provide our customers reliable, low-cost hydroelectric energy during the transition and termination.

The **Alaska Power Administration (APA)** was created to market the power produced at its two hydroelectric generating projects located within the State of Alaska. The 30-MW Eklutna Project (recently upgraded to approximately 46-MW) is located near Palmer, Alaska, about 34 miles northeast of Anchorage, Alaska, and provides roughly 5% of the Anchorage and Matanuska-Susitna Valley area electrical load requirements.. The 78-MW Snettisham Project is located in a remote area about 45 miles southeast of Juneau, Alaska, and currently provides about 85% of the Juneau area electrical load requirements. Preference is given in the sale of the power to public bodies and cooperatives. Alaska Power Administration owns and operates all of its generation and transmission facilities.

Alaska Power Administration is in the process of implementing the Alaska Power Administration Asset Sale and Termination Act (Title I of Public Law 104-58). This law authorizes and directs the Secretary of Energy to sell the assets of the Alaska Power Administration and to subsequently terminate APA. The Eklutna Project was sold to the former customers of the project on October 2, 1997, for a cash payment of \$5,953,000. The sale of the Snettisham Project to an agency of the State of Alaska is currently targeted for July 15, 1998 (but in no case later than August 20, 1998). The Alaska Power Administration will be terminated no later than one year after the Snettisham Project sale. This budget request is to justify the obligation and expenditure of remaining Transition and Termination funds for APA administration and closeout during FY 1999. If APA termination takes place before the end of FY 1999, any unobligated appropriations will be returned to the Treasury of the United States, in accordance with the provisions of the Alaska Power Administration Asset Sale and Termination Act.

Until each project is sold, APA continues to perform necessary operations, maintenance, and power marketing activities. For the Eklutna Project, FY 1997 power sales were 103,525 MWH generating gross revenues of \$1,335,091. For Snettisham, FY 1997 power sales were 249,400 MWH generating gross revenues of \$8,661,599. For the 36 hours of Federal ownership of Eklutna in FY 1998, power sales were 623 Kilowatt-Hours generating just \$5,487. For the expected remaining period of Federal ownership of Snettisham in FY 1998, power sales are expected to be approximately 244,000 MWH, which will generate revenues of nearly \$7,821,000. Power revenues are no longer available after each project is sold.

The FY 1999 Budget Request for the Program Direction activity seeks no new budget authority. Upon the sale of all remaining APA assets (the Snettisham Project), no further obligations will be incurred under the “reimbursable” Program Direction activity, since there will be no further power sales available for repayment of Program Direction expenses. All post-sale obligations, including salaries and related costs for the requested eight Full-Time Equivalents, will be incurred under the Transition and Termination activity, funded by a \$5,500,000 Appropriations Transfer in FY 1996. Until the sale of all APA assets is complete, this “no new funding” request provides for continued mission attainment and support for all APA programs, including continuation of the administrative and technical support being provided by the Western Area Power Administration and the financial support being provided by Southeastern Power Administration. The primary goal of the Program Direction activity will be full implementation of the APA Asset Sale and Termination Act, with project operations and maintenance provided as required while under continued Federal ownership. Remaining Program Direction funding (to be obligated in FY 1998) has been grouped into four categories:

- Salaries and Benefits provides for funding of a staffing level which will allow for oversight of normal operations and maintenance activities at the Snettisham Project, as necessary, for as long as the project remains under continued Federal ownership, as well as for a variety of close-out activities. APA's actual staffing levels will depend upon the effectiveness of various employee placement and assistance programs, the ability of APA to retain key personnel during the remaining transition activities, the extent to which alternative staffing arrangements can be utilized, and the timing of the actual transfer of the Snettisham Project to non-Federal ownership. Since enactment of the APA Asset Sale and Termination Act, a total of 26 employees have left APA employment, including three who accepted “buyouts” of \$25,000 each and five who were eligible for a total of 174 weeks of severance pay having a value of nearly \$205,000. Of the 26 total separations, eleven were separated “involuntarily” through Reduction-In-Force procedures. Only one remains “unplaced” without a post-separation employment offer.
- Travel provides for funding of the transportation of Government employees, their per diem allowances, and other incidental expenses related to travel for official business. It consists of travel away from official duty stations and local travel and transportation of persons. Travel purposes may include site visits, negotiations, training, presentations, conferences, relocation moves, etc.
- Support Services provides for funding of contractual services and related supplies and materials in support of mission accomplishment.
- Other Related Expenses provides for funding of all other expenses of APA, including the costs of space rental, communications, utilities and miscellaneous charges, printing, training, tuition, other contractual services, annual APA financial audit, operation and maintenance of equipment, purchases of equipment, purchases of goods and services from other government accounts, and supplies and materials.

II. Funding Table:

<u>Total Alaska Power Administration (one site only)</u>	<u>FY 1997 Current Appropriation</u>	<u>FY 1998 Original Appropriation</u>	<u>FY 1998 Adjustments</u>	<u>FY 1998 Current Appropriation</u>	<u>FY 1999 Budget Request</u>
Salary and Benefits	\$2,446	\$ 815	\$ 0	\$ 815	\$ 0
Travel	198	30	0	30	0
Support Services	451	35	0	35	0
Other Related Expenses	905	2,620	0	2,620	0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Grand Total	\$4,000	\$3,500	\$ 0	\$3,500	\$ 0
	=====	=====	=====	=====	=====
Full Time Equivalents	10	11	0	11	8 ¹
Adjustments	0	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Budget Authority	\$4,000	\$3,500	\$ 0	\$3,500	\$0

Alaska Power Administration is in the process of implementing the Alaska Power Administration Asset Sale and Termination Act, which authorizes and directs the Secretary of Energy to sell the assets of the Alaska Power Administration and to subsequently terminate APA. This budget request is to justify the obligation and expenditure of remaining Transition and Termination funds for administration and continued operations and maintenance of both projects during remaining Federal ownership and APA closeout. If APA termination takes place before the end of FY 1999, any unobligated appropriations will be returned to the Treasury of the United States, in accordance with the provisions of that Act.

¹Funded in FY 1999 by unobligated balances in the Transition and Termination budget activity.

III. Performance Summary:

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Salaries and Benefits:	\$2,446	\$815	\$0
<p>FY 1997 funding provided for the full range of administrative and management services in support of APA's power marketing activities. FY 1998 funding will provide for administration and oversight of Snettisham while under continued Federal ownership. There is no Salaries and Benefits funding requested for FY 1999, as all post-sale costs will be funded in the Transition and Termination activity .</p>			
Travel:	\$198	\$30	\$0
<p>FY 1997 funding provided for shared air charter services to Snettisham, non-Federal operators and routine transmission line maintenance, employee training and placement assistance, and relocation, as appropriate. Funding reductions in FY 1998 and elimination in FY 1999 are consistent with reduced staffing levels and APA termination.</p>			
Support Services:	\$451	\$35	\$0
<p>FY 1997 funding provided for necessary operations and maintenance activities at each project to maintain the efficiency, reliability, and safety of the power systems while each project remained under continued Federal ownership, and settlement of outstanding lands, dam safety, and environmental issues necessary for transfer. FY 1998 funding will ensure completion of all contracts necessary for the transfer of each project, as well as certain administrative termination activities.</p>			
Other Related Expenses:	\$905	\$2,620	\$0
<p>FY 1998 funding includes \$2,500,000 for the purchase of a replacement submarine cable at the Snettisham Project. All Other Related Expenses in FY 1999 will be funded with unobligated balances in the Transition and Termination activity.</p>			
TOTAL Alaska Power Administration Program Direction	\$4,000	\$3,500	\$0

IV. Explanation of Funding Changes from FY 1998 to FY 1999:

No Program Direction funding is requested for the Alaska Power Administration for FY 1999. All activities, including the salaries and related costs of 8 Full-Time Equivalents, will be conducted through the use of unobligated balances from prior years in the Transition and Termination activity and will focus on full implementation of the Alaska Power Administration Asset Sale and Termination Act. The decrease in Program Direction funding from FY 1998 to FY 1999 is all (100%) of the \$3,500,000 provided in FY 1998.

OTHER RELATED SERVICES:	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 1999/FY 1998</u>
	<u>(\$000)</u>	<u>(\$000)</u>	<u>(\$000)</u>	<u>Change</u> <u>(\$000)</u>
Transportation of Things	61	35	0	-35
Communications and Utilities	65	15	0	-15
Rental of GSA Space	117	40	0	-40
Printing	3	0	0	0
Inter-agency goods and services	452	20	0	-20
Supplies and Materials	137	10	0	-10
Submarine Cable Replacement	0	2,500	0	-2,500
Equipment	70	0	0	0
Total Other Related Services:	\$905	\$2,620	\$0	\$-2,620

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
ALASKA POWER ADMINISTRATION**

TRANSITION AND TERMINATION

(Tabular dollars in thousands, Narrative in whole dollars)

I. Mission Supporting Goals and Objectives:

The Alaska Power Administration Asset Sale and Termination Act (Title I of Public Law 104-58) was signed into law on November 28, 1995. Under the terms of the Act and the referenced purchase agreements, APA must complete several items in order to prepare the assets for sale. At the same time, employee transition and continued program and administrative support must be provided until the Transaction Date for each project. Once both projects have been transferred, close-out activities must be supported until the final termination of APA. Program Direction funds, which are reimbursable to the U. S. Treasury through rates for power rates, are used first for continued administration and normal operations and maintenance of the projects while under continued Federal ownership. Non-reimbursable funds for the Transition and Termination activity were provided in FY 1996 through an appropriations transfer from unobligated balances of the FY 1996 appropriation for the Western Area Power Administration, to support: (1) preparation of lands; (2) implementation of transition plans; (3) employee training, retention, separation, and relocation expenses; and (4) final closeout.

II. Funding Schedule:

No funding is proposed for this activity in FY 1997, FY 1998, or FY 1999. All activities, including salaries and related costs for 8 FTEs, will be conducted using unobligated balances from the FY 1996 appropriations transfer of \$5,500,000, from the Western Area Power Administration.

<u>Program Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>\$ Change</u>	<u>% Change</u>
Total, Transition and Termination	\$-0-	\$-0-	\$-0-	\$0	-0-

III. Performance Summary - Accomplishments:

While no new funding is requested for this activity, the following is the expected rate of obligation of remaining Transition and Termination funds, until final termination and close-out of APA:

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
• Preparation of Lands:	\$ -0-	\$300	\$-0-
• Implementation of Transition Plans:	\$193	\$500	\$200
• Employee Training, Retention, Separation, and Relocation Expenses:	\$ 1	\$300	\$800
• Final Closeout:	\$ -0-	\$200	\$700
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TOTAL Transition and Termination	\$194	\$1,300	\$1,700

- Upon the final sale of the Snettisham Project (not later than August 20, 1998), no further obligations may be incurred against the (reimbursable) Program Direction activity.
- All remaining APA expenses will be incurred against the Transition and Termination activity. This will include any remaining Transition Plan activities, all Final Closeout activities, and the costs of the APA closeout team (8 Full-Time Equivalents) after the Transaction Dates. Most of the work after those dates will be administrative in nature and the costs include such things as building lease, materials, and salaries.
- The legislatively-mandated final Report to Congress on APA Asset Sale and Termination, which is due within one year of the later of the two Transaction Dates, will be the final Alaska Power Administration activity.
- Funding is also included for the Department of Energy Headquarters or another DOE organization to complete APA activities that were not finished prior to final APA termination. It is likely that some contracting, accounting, administrative, and personnel issues may not be resolved within a year of the transfer of APA assets, as required in the APA Asset Sale and Termination Act. Also, a final financial audit may need to be performed.

Explanation of Funding Changes from FY 1998 to FY 1999:

There is **no funding requested** for the Transition and Termination activity in FY 1997, FY 1998, or FY 1999. All funds requested to support APA's ongoing operations and maintenance activities are included in the Program Direction activity. The \$5.5 million provided for Transition and Termination activities in FY 1996 will be the funding limit within which all remaining transition and termination activities must be completed. Unobligated Transition and Termination funds will provide for all post-sale expenses, including salaries and related costs for the remaining 8 Full-Time Equivalents, until final closure of APA.

Major Issues:

The major task facing the Snettisham purchaser is meeting the “due diligence” requirements necessary to secure bond financing for the purchase of the Snettisham Project. All documentation is scheduled for completion by May 15, 1998, with a final transaction date scheduled for July 15, 1998. Under the terms of the Snettisham Purchase Agreement and the Alaska Power Administration Asset Sale and Termination Act, the final sale of the Snettisham Project will occur no later than August 20, 1998. APA will then have not more than one year to complete the legislatively-mandated Report to Congress on the asset sales and terminate the Administration.

However, if the condition of the Taku Inlet submarine cables or some other unforeseen problem prevents the Snettisham purchaser from securing the necessary bond financing for the purchase, the State of Alaska may opt out of the Snettisham Purchase Agreement at any time prior to final sale. This unlikely event would require APA to continue to operate and maintain the project far beyond what is currently anticipated and would require significant additional funding and staffing.

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FY 1999 CONGRESSIONAL BUDGET REQUEST
ALASKA POWER ADMINISTRATION**

CAPITAL ASSETS ACQUISITION
(Tabular dollars in thousands, Narrative in whole dollars)

I. Mission Supporting Goals and Objectives:

The authorizing legislation for both (Eklutna and Snettisham) hydroelectric projects of the Alaska Power Administration includes language similar to, “For the purpose of developing hydroelectric power and to encourage and promote the economic development of and to foster the establishment of essential industries in the State of Alaska, and for other purposes” (Snettisham Project Authorization, Section 204 (a) of the Flood Control Act of 1962). One method of achieving such a mission is through capital assets acquisition. A total of \$10,000,000 was provided in FY 1998 for the Southeast Intertie to link the Tyee and Swan Lake hydroelectric projects. In addition, forty percent (40%) of the revenue the State of Alaska receives from the debt service purchasing utilities pay on the Alaska Energy Authority’s Four Dam Pool projects is dedicated to fund construction of this transmission intertie between the Swan Lake and Tyee hydroelectric projects, according to a formula specified in 1993 State of Alaska energy legislation. The Ketchikan Public Utilities Commission will take the lead on development and implementation of this capital asset.

II. Funding Schedule:

No new funding is proposed for this activity in FY 1999.

<u>Program Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>\$ Change</u>	<u>% Change</u>
Total, Capital Assets Acquisition	\$-0-	\$10,000	\$-0-	\$-10,000	-100%

III. Performance Summary - Accomplishments:

No new funding is requested for this activity in FY 1999. The entire \$10,000,000 has been transferred to the Hydropower Specialists at DOE's Idaho Operations Office for project administration and oversight and will be disbursed as various milestones are met by the Ketchikan Public Utilities Commission. All funds will be obligated prior to final closure of APA. Final closeout of the Capital Assets Acquisition account may be accomplished by DOE or another agency if all required APA activities are not finished prior to final APA termination.

Explanation of Funding Changes from FY 1998 to FY 1999:

There is **no funding requested** for the Capital Assets Acquisition activity in FY 1999, a decrease of \$10,000,000.

Major Issues:

The only major issue for this activity may occur if sufficient progress in meeting the required milestones is not achieved by the time of final termination of the Alaska Power Administration. This could require a rethinking of the method by which funds are disbursed to the Ketchikan Public Utilities Commission for completion of the project.

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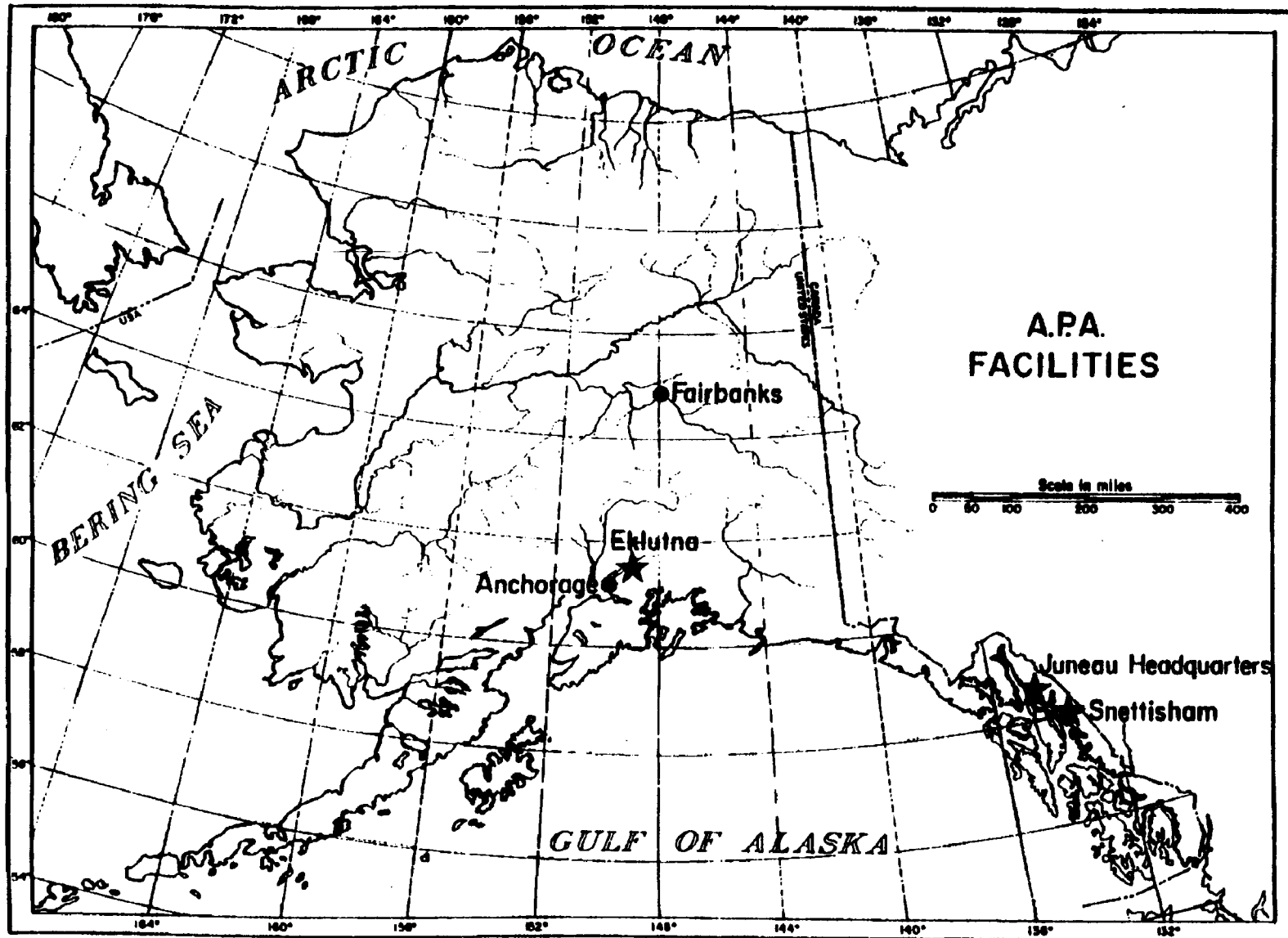
**REVENUES AND RECEIPTS
(Dollars in thousands)**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
<u>Alaska Power Administration</u>						
Gross Revenues	\$9,997	\$7,826	\$0	\$0	\$0	\$0
Sale and transmission of electric energy at the Eklutna Project	\$1,335	\$5	\$0	\$0	\$0	\$0
Sale and transmission of electric energy at the Snettisham Project	\$8,662	\$7,821	\$0	\$0	\$0	\$0
Net billing amount credited as an offsetting receipt	\$-1,410	\$-1,327	\$0	\$0	\$0	\$0
Total Proprietary Receipts	\$8,587	\$6,499	\$0	\$0	\$0	\$0
Percent of sales to preference customers	14%	0%	0%	0%	0%	0%
Energy Sales and Power Marketed (in billions of kilowatt hours)	0.4	0.2	0.0	0.0	0.0	0.0

The net billing authority requested in FY 1997 and FY 1998 provides for performance of most of Snettisham operations and maintenance activities through the use of net billing or other alternative financing arrangements with the purchaser or current customer.

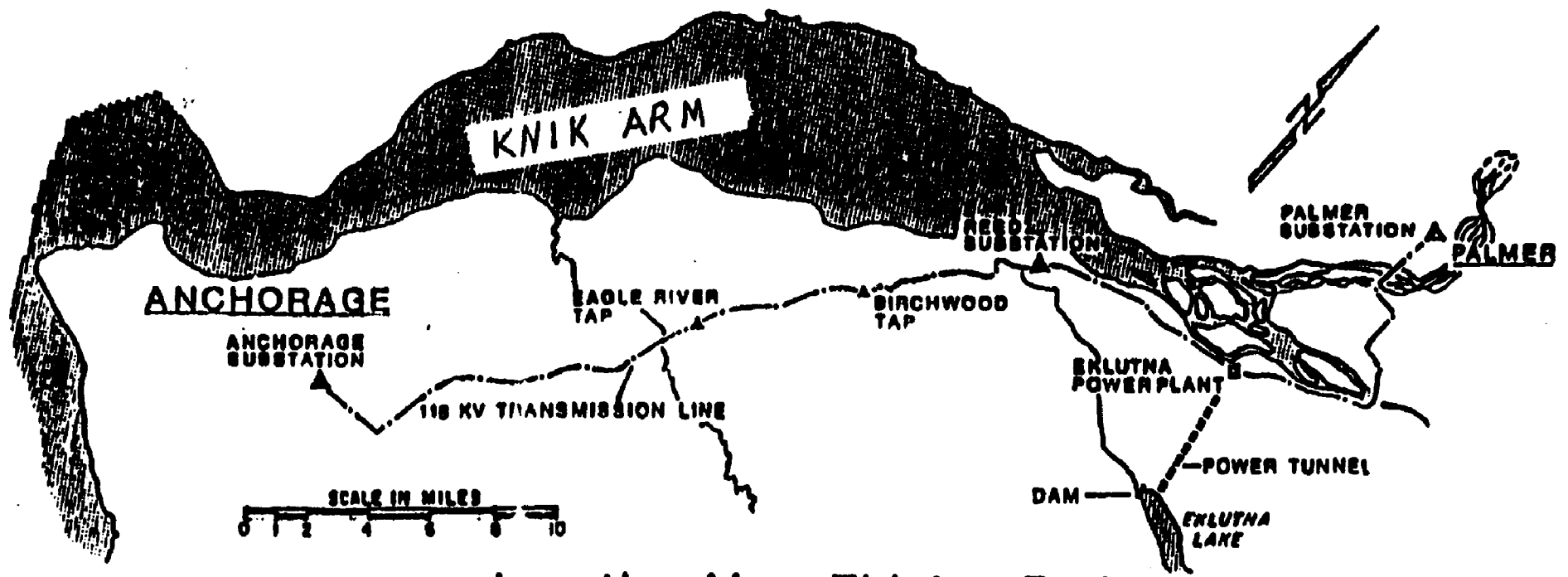
Receipt estimates are based on the actual Transaction Date (October 2, 1997) for the Eklutna Project and the latest Transaction Date allowed by the Purchase Agreement (August 20, 1998) for the Snettisham Project. The actual Snettisham transfer date will necessarily alter total receipts.

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TRANSMISSION SYSTEM MAP
EKLUTNA PROJECT

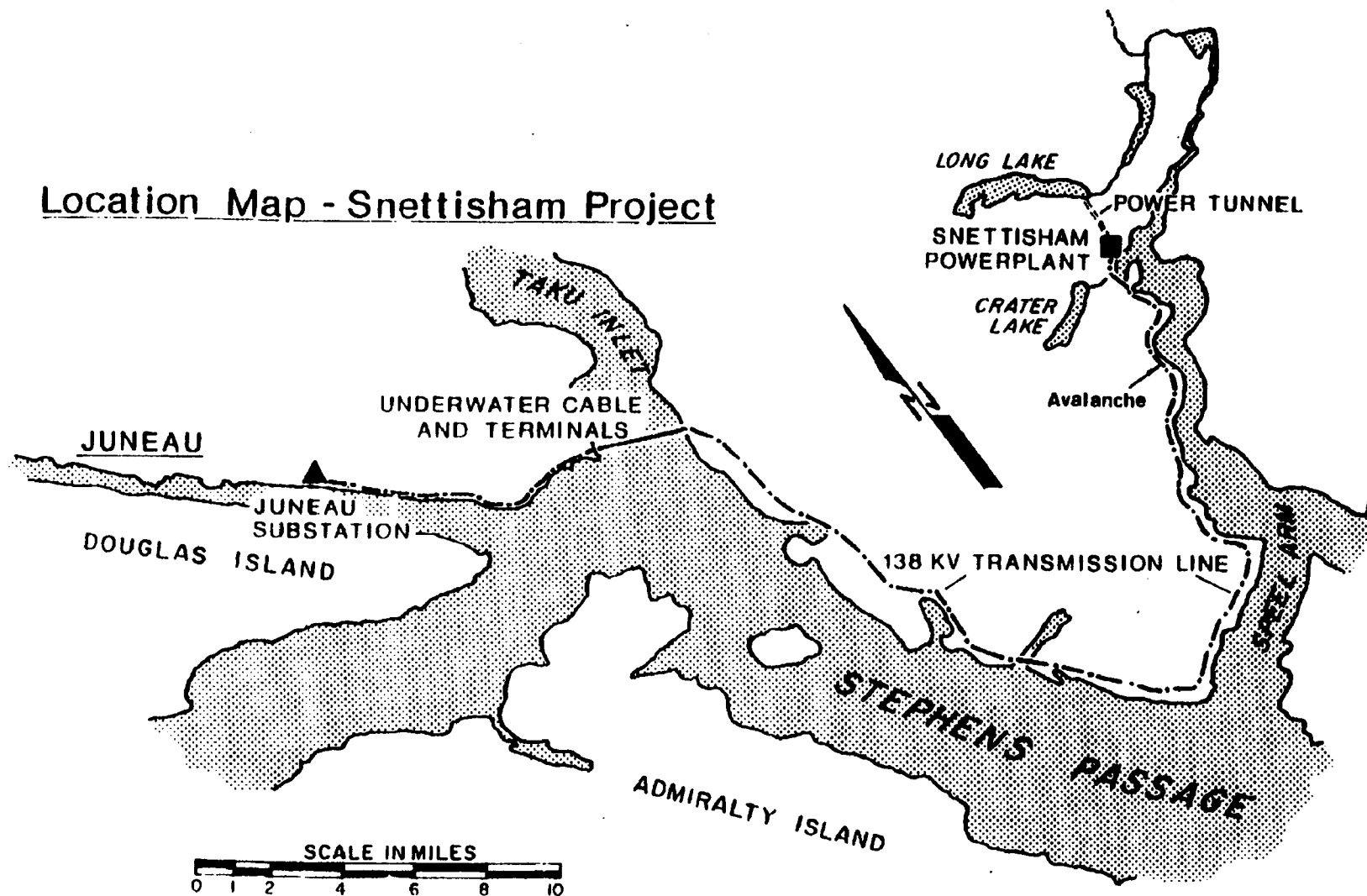


Location Map - Eklutna Project

DEPARTMENT OF ENERGY
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TRANSMISSION SYSTEM MAP
SNETTISHAM PROJECT

Location Map - Snettisham Project



**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST**

SYSTEMS STATISTICS

ALASKA POWER ADMINISTRATION

	1997 <u>Actual</u>	1998 <u>Estimate</u>	1999 <u>Estimate</u>
<u>Generating Capacity:</u>			
Installed Capacity (KW)	108,160	108,160	0
Leasing Capacity (KW)	0	0	0
Peak Capacity (KW)	108,160	108,160	0
 <u>Generating Stations:</u>			
Generating Projects (No.)	2	2	0
Substations/Switchyards (No.)	5	5	0
Substations/Switchyards (KVA Capacity)	237,000	237,000	0
 <u>Available Energy:</u>			
Energy Generated (Megawatt-Hours)	361,925	253,623	0
Energy Purchased (Megawatt-Hours)	0	0	0
Energy Available for Marketing (MWH)	352,925	244,623	0
 <u>Transmission Lines (Circuit Miles):</u>			
115 KV	44	44	0
138 KV	<u>44</u>	<u>44</u>	<u>0</u>
Total Circuit Miles	88	88	0

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POWER MARKETED, WHEELED, OR EXCHANGED BY PROJECT

ALASKA POWER ADMINISTRATION

<u>Project</u>	<u>State</u>	<u>No. of Plants</u>	<u>Installed Capacity (KW)</u>	<u>1997 Actual Power (GWH)</u>	<u>1998 Estimated Power (GWH)</u>	<u>1999 Estimated Power (GWH)</u>
<u>Power Marketed</u>						
Eklutna	Alaska	1	30,000	104	1	0
Snettisham	Alaska	1	78,160	249	244	0
		_____	_____	_____	_____	_____
Total, Power Marketed		2	108,160	353	245	0

Power Wheeled
and Exchanged

Wheeled (MW)	Eklutna	1		340,000	0	0
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**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST**

PENDING LITIGATION

ALASKA POWER ADMINISTRATION

NONE